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WINTER 1993 MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY VOL. 6, NO. 1

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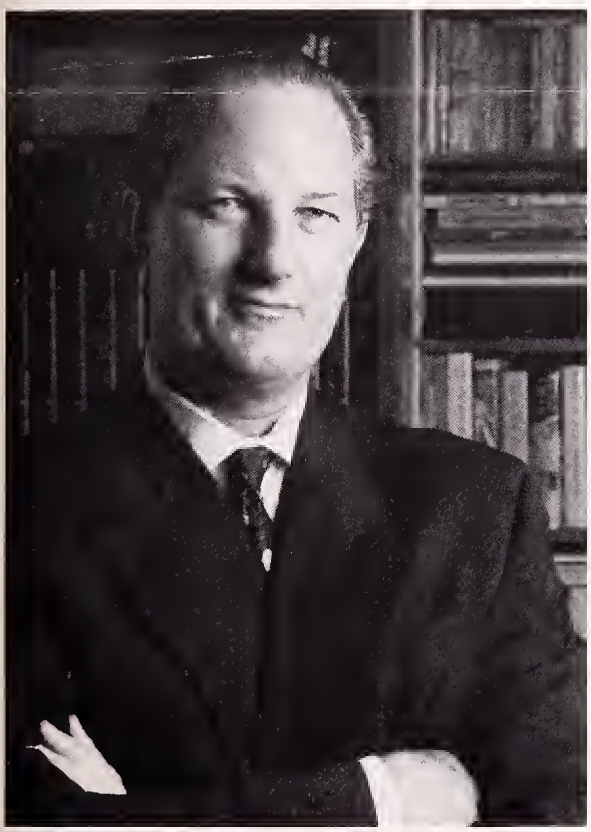

E. Byron Hensley, Jr.

Weld Appoints E. Byron Hensley, Jr. to HEFA Board

Governor William Weld has announced the appointment of E. Byron Hensley, Jr. to the board of the Massachusetts Health and Educational Facilities Authority for a four-year term.

A resident of Brookline, Mr. Hensley is president and chief executive officer of Mentor Clinical Care which is a leading provider of behavioral health services to clients living in the homes of specially trained caregivers, or "mentors." Mentor Clinical Care is a wholly-owned subsidiary of the Lifetime Corpo-

continued on page 7

Massachusetts General Hospital Refunding Strategy Nets Savings of $10.8 Million On Issuance of $189 Million

The oldest hospital in New England, "the General" has long been recognized as one of the leading medical centers in the United States. With strong academic ties to Harvard Medical School and a large research community, the General has been in the forefront of advanced medical treatment and technology since its inception in 1811. Licensed to operate

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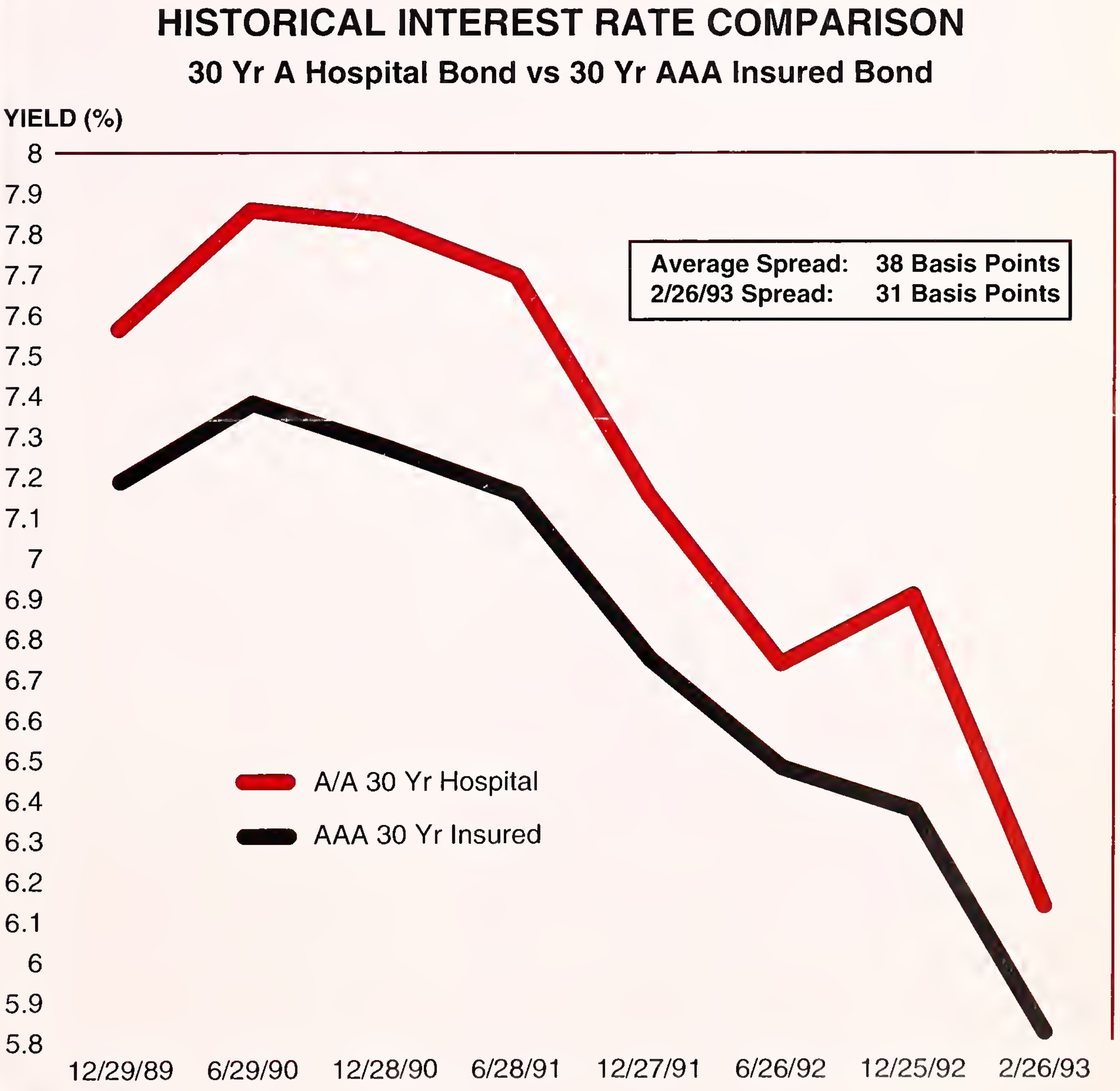

Source: Goldman, Sachs & Co.

UMass Foundation Acquires Bio-Tech Facility For Medical School

Innovative structure insured by ConnieLee

With proceeds from the sale of $20,050,000 in tax-exempt revenue bonds, the UMass Foundation acquired Bio-Tech II, an 80,000-square-foot research facility that is one of four specialized facilities comprising the Massachusetts Biotechnology Research Park in Worcester. BioTech II is adjacent to the University of Massachusetts Medical Center ("UMMC"), which UMMC will lease from the Foundation and use to house its Molecular Medicine Program.

Signing closing documents for UMass Foundation's bond issue are, l-r, Stephen W. Lenhardt, Sr., Vice President for Management and Fiscal Affairs, and Treasurer, University of Massachusetts; E.K. Fretwell, Jr., Ph.D., former Interim President of the University of Massachusetts; and Robert S. Lyons, Chief Financial Officer and Assistant Treasurer, University of Massachusetts Foundation.

The UMass Foundation was established in 1950 by a group of alumni and friends to foster and promote the growth, progress and general welfare of the University of Massachusetts. The Foundation provides financial services to the University and manages investment of the University's endowment.

Last year, UMass expanded from its original base of three campuses located in Amherst, Boston and Worcester to include additional campuses in Dartmouth and Lowell.

The Commonwealth's only publicly funded medical school, UMMC opened its doors in 1970 and is currently host to many innovative clinical and research programs including The Program in Molecular Medicine ("The Program"). Established to encourage collaboration among scientists, the dozen laboratory groups that comprise The Program

continued on page 4

Children's Hospital Restructures Debt Portfolio

Issues $103,285,000

Ned Murphy (left), Executive Director, Mass. HEFA, and Miles Coverdale, Jr., Vice President and Chief Financial Officer of Children's Hospital, close the Hospital's bond issue.

Children's Hospital, the primary pediatric teaching facility for Harvard Medical School and the nation's largest children's hospital, has a distinguished reputation in the capital markets that matches its longstanding history of clinical excellence. This was apparent in the market's reception of the Hospital's latest bond offering. Taking advantage of last fall's near-record-low interest rates, the Hospital refinanced its outstanding debt with the issuance of $103,285,000 in tax-exempt bonds. Net present value savings of nearly $4 million were achieved through the transaction.

Moody's Investor's Service rated the bonds "Aa." Analysts commented, "Children's supports one of the world's largest research programs devoted to pediatric medicine. Consequently, the hospital attracts a large, well-qualified medical staff dedicated to patient care, research and medical education." Children's outperforms its national

continued on page 4

Melrose-Wakefield Hospital Develops Cardiac Catheterization Laboratory

In market for $35,425,000

Melrose-Wakefield Hospital sold revenue bonds totalling more than $35 million to finance renovations and capital equipment acquisitions associated with the development of the only cardiac catheterization laboratory in the Hospital's service area. The Hospital will also use bond proceeds to construct a two-level extension to the existing parking garage, adding 130 new parking spaces.

In addition, the Hospital used this bond sale as an opportunity to refinance existing debt, taking advantage of extremely low interest rates. Approximately $2,124,540 in net present value savings were realized.

Tax-exempt and taxable markets were generally strong in the weeks leading up to the pricing of this transaction. In the days immediately preceding the pricing date, the tax-exempt market outperformed the taxable market, although the performance of both markets was relatively stable.

There was strong demand for the Melrose-Wakefield bonds on the day of the sale. Both serial bonds and term bonds were oversubscribed, resulting in a repricing. Serial bond yields were lowered by five basis points for each maturity. The 2004 and 2006 term bond yields were lowered by 2.5 basis points; the 2016 maturity by 6.3 basis points and the 2018 by 3.8 basis points.

Yields on the serial bonds maturing from 1993 to 2001 ranged from 3.20% to 5.85%. Two term bonds -- 2004 and 2006 -- sold with coupons of 6.125% and 6.35%, respectively. Three additional term bonds maturing in 2012, 2016, and 2018 sold at a discount to yield 6.406%, 6.457% and 6.412%, respectively. Donaldson, Lufkin & Jenrette Securities Corporation served as senior managing underwriter for the transaction.

The bonds were rated "A-" by Standard & Poor's Corporation. The Standard & Poors credit report highlighted Melrose-Wakefield's successful physician recruitment program and related admissions growth. The Hospital's strong local market share in a competitive service area and continued financial improvement were other positive factors cited by rating analysts. ■

At the closing of the Hospital's bond issue are Edward P. Cameron, Chairman of the Board, Melrose-Wakefield Hospital; Esther C. Osborne, R.N., Vice Chairman of the Board, Melrose-Wakefield Hospital; Mark J. Blass, Vice President of Fiscal Services and Treasurer, Melrose-Wakefield Hospital, and Bonnie R. Siegal, Senior Vice President, Donaldson, Lufkin & Jenrette.

Hawaii's Health System Examined at HEFA Policy Forum

Emphasis on employer-mandated health insurance

The most recent session of the HEFA Health Policy Forum focused on the unique aspects of the Hawaiian health system. The forum, held October 23, featured Lawrence Brown, Ph.D., Professor and Head of the Division of Health Policy and Management in the School of Public Health at Columbia University. Dr. Brown was formerly on the faculty of the University of Michigan and the staff of The Brookings Institution. He is best known for his writing on competitive and regulatory issues in health policy and on the politics of health care policy making. Dr. Brown was editor of the *Journal of Health Politics, Policy and Law* from 1984-1989.

Dr. Brown discussed the unique features of the Hawaiian system, including the strong emphasis on preventive and primary care and strong public health policies. The general acceptance of broad health care coverage is characteristic of the Hawaiian system and can be viewed on three levels -- philosophic, economic and regulatory.

The philosophical framework -- with its genesis in the plantation background of this remote island-state -- has as its center the notion of Hawaiians as a family -- the so-called "Aloha Spirit." This pervasive sense of Hawaii as a community set the stage for the acceptance of universal coverage.

Hawaii's economy during the last two decades has been fairly strong, with unusually low unemployment. Labor forces on the island are well represented and keep a vigilant focus on broad and universal coverage. Equally unusual, Blue Cross/Blue Shield has never been provider-dominated in Hawaii; rather, it is dominated by business.

From a regulatory perspective,

continued on page 6

HEFA FINANCINGS: JUNE 1992 THROUGH FEBRUARY 1993

INDIVIDUAL BOND ISSUES

Institution	Location	Series	Amount	Sale Date	Term
Jordan Hospital	Plymouth	B & C	$28,330,000	06/18/92	29 years, fixed
Sisters of Providence Health System	Springfield	A	55,480,000	07/09/92	27 years, fixed
Melrose-Wakefield Hospital	Melrose	B	35,425,000	07/16/92	25 years, fixed
University of Massachusetts Foundation, Inc.	Worcester	A	20,500,000	08/14/92	30 years, fixed
Center for Blood Research, Inc.	Boston	A	21,300,000	09/03/92	Private placement
MetroWest Health, Inc.	Framingham	C	65,000,000	09/03/92	25 years, fixed
Suffolk University	Boston	B	32,905,000	09/03/92	28 years, fixed
Beth Israel Hospital	Boston	G	233,450,000	09/10/92	29 years, fixed
Bentley College	Waltham	I	15,765,000	09/15/92	24 years, fixed
Children's Hospital	Boston	E	103,285,000	09/18/92	26 years, fixed
Anna Jaques Hospital	Newburyport	B	20,000,000	10/01/92	15 years, fixed
Wellesley College	Wellesley	E	20,000,000	10/23/92	Variable
Medical Center of Central Massachusetts	Worcester	B	85,000,000	10/30/92	Serials, STARS, CARS
North Adams Regional Hospital	North Adams	B	1,705,000	11/05/92	Private placement
Massachusetts General Hospital	Boston	F	189,535,000	11/12/92	27 years, fixed
Milford-Whitinsville Regional Hospital	Milford	B	18,500,000	11/26/92	24 years, fixed
Dana-Farber Cancer Institute	Boston	F	22,900,000	12/16/92	20 years, fixed
Tufts University	Medford	F	35,410,000	02/10/93	25 years, fixed
Total			**$1,004,490,000**		

UMass Foundation

CONTINUED FROM PAGE 2

include faculty affiliations with seven basic science and clinical medical school departments: biochemistry and molecular biology, cell biology, molecular genetics and microbiology, pediatrics, pharmacology, physiology and surgery.

ConnieLee insured the transaction which sold aggressively at a true interest cost of 6.13%. Goldman, Sachs & Co. was the lead underwriter. The bond issue was comprised of serial bonds maturing from 1993 to 2003 which were priced to yield 3.0% to 5.50%. Term bonds maturing in 2012 and 2023 sold at a slight discount and were priced to yield 6.087% and 6.125%, respectively.

Richard Stanton, Deputy Chancellor of Management and Finance for UMMC, observed that the Bio-Tech II facility was originally financed with taxable bonds by the Worcester Business Development Corp. "Prior to this acquisition, UMMC rented 50,000 square feet of Bio-Tech II. With the Foundation financing the acquisition with tax-exempt debt, we will be able to occupy the entire 80,000 square foot facility, paying about the same rent as we did for 50,000 square feet," he commented. "This was an extremely efficient solution to the research space problem. The University has increased sponsored research by 40% in the last five years." ■

Children's Hospital

CONTINUED FROM PAGE 2

competition on many levels, as reported in the Moody's analysis: "Children's history of successful fundraising has allowed the hospital to build a substantial cash position. The unrestricted cash position represents in excess of an overwhelming 485 days cash on hand."

Ned Murphy, the Authority's Executive Director, commented, "Not unlike many other borrowers in the market to refinance last fall, Children's sale date was postponed several times due to the enormous supply of tax-exempt paper and the volatile trading overseas due to the Bundesbank announcement regarding the German interest rate cuts. This prompted the underwriting team to explore a variety of structuring alternatives, increased call protection and various pricing strategies to differentiate the issue and attract investors." He added, "Children's found their window, however, on September 18, and their strategy paid off. The bonds sold extremely well with a true interest cost of 6.19%."

The serial bonds were priced at rates ranging from 3.0% in 1993 to 5.9% in 2005. Four different term bonds were created: a $13.6 million 6.25% term bond in 2009 at 99 3/4 yield; a $12 million 6.125% term bond in 2012 priced to yield 6.30%; a $26.9 million, 6.20% term bond in 2016, priced to yield 6.35% and a $17.4 million, 5.50% term bond in 2019, priced to yield 6.30%. Goldman, Sachs & Co. was the lead investment banker. ■

Sisters of Providence Issues under Obligated Group Structure

Completes $55 million sale

At the closing of Sisters of Providence Health System's bond issue are, l-r, Arun R. Adya, Executive Vice President and Chief Financial Officer of SPHS; Ned Murphy, Executive Director, Mass. HEFA; and Richard A. Hayden, President and Chief Executive Officer of SPHS.

Sisters of Providence Health System is a group of commonly controlled corporations providing health care and related services in Massachusetts and North Carolina. In Massachusetts, the System operates two acute care hospitals (Mercy Hospital and Providence Hospital), three long-term care facilities, a human services agency serving children and families, and a specialty facility for patients requiring both medical and mental health services.

Backed by the assets of an obligated group comprised of the two Hospitals, the skilled nursing facility and the human services agency, the System sold $55,480,000 of tax-exempt revenue bonds on July 9. Bond proceeds were used to refinance approximately $10 million of the System's existing debt. The System intends to finance extensive renovations with bond proceeds. The project also includes the construction of outpatient and surgical facilities and ICU/CCU additions at Providence Hospital

continued on page 7

Jordan Hospital Expands Outpatient and Emergency Facilities

Pictured, l-r, are Peter A. Chapman, President and Chief Executive Officer of Jordan Hospital; Patricia M. Moran, Senior Financial Advisor, Mass. HEFA; Jean M. DeLuca, Esq., Palmer & Dodge; and Elliot L. Schwartz, Vice President of Finance, Jordan Hospital, at the closing of the Hospital's financing.

Jordan Hospital, a 150-bed acute care community hospital located in Plymouth, embarked on a facilities expansion plan last summer with the sale of $28,330,000 revenue bonds. The Hospital serves a geographic area that has experienced unprecedented growth in the last two decades, with a 66% increase between 1970 and 1980; and a 24% increase between 1980 and 1990.

Bond proceeds will support the construction of a new emergency department and an outpatient facility which will house rehabilitation services, oncology, cardiology and endoscopy. Renovation of the radiology department and the cafeteria will also take place. In addition to its expansion planning, the Hospital restructured its debt portfolio and defeased to term its FHA-insured, Series B bond issue.

Awarding it an "A-" rating, Standard & Poor's Corporation referred to Jordon's "favorable admissions trend, good geographic location and medical staff strategies." The admissions trend shows 15% growth since 1987. Standard & Poor's analysts stated that the Hospital's outlook is stable.

The bond issue was comprised of serial bonds maturing from 1993 to 2002 with yields ranging from 3.90% to 6.45%. Two term bonds -- 2015 and 2022 -- were sold at a slight discount and were priced to yield 6.895% and 6.913%, respectively. The true interest cost was 7.0339%.

The pricing occurred under optimal

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Bentley College Refinances through a Competitive Sale

College yields significant net present value savings

Eight syndicates bid for the purchase of more than $15 million of tax-exempt revenue bonds for Bentley College. The bids ranged from 5.8472% to 6.0222%. The low-bid syndicate was led by Prudential Securities Incorporated and included Kidder, Peabody & Co., Inc.; William E. Simon & Sons Municipal Securities; Tucker Anthony, Inc.; Advest, Inc.; BNE Capital Markets, Inc.; and Alex. Brown & Sons, Inc.

Signing closing documents at Bentley College's closing are, l-r, Martin L. Rainford, Assistant Executive Director and General Counsel, Mass. HEFA; Robert L. Lenington, Vice President for Business & Finance, and Treasurer, Bentley College; Paul Silva, Comptroller, Bentley College; and Jo-Ann Branco, Assistant to the Comptroller, Bentley College.

The issue was comprised of serial bonds maturing from 1993 to 2009 with coupons ranging from 3.0% to 6.0% and one term bond maturing in 2017 which was priced to yield 6.2%. The bonds were insured by MBIA.

Net present value savings of the refunding are approximately $1,273,800 or 8.5% of principal refunded.

Commenting on the deal, Bentley College Comptroller Paul Silva stated, "The financing constituted a major restructuring of our debt which will increase the affordability of a Bentley education for our students and their parents." He added, "We are very happy with the results."

"Many borrowers with very straightforward stories to tell choose to issue debt through a competitive process," observed the Authority's Executive Director Ned Murphy. "Transaction costs for a competitive bid are minimal compared to a negotiated public offering. As is evident in Bentley's transaction, the competitive sale produced optimal results." ■

Jordan Hospital

CONTINUED FROM PAGE 5

market conditions, causing the senior managing underwriter, The First Boston Corporation, to reprice. Serial bonds were repriced 5-10 basis points lower than the preliminary rates. Demand for the term bonds was equally strong with a repricing lowering the yield on the 2015 maturity by 4.4 basis points and the 2022 maturity by 4 basis points.

"Generally, smaller hospitals -- those with less than 200 beds -- are penalized by the rating agencies for no reason other than bed capacity," commented Ned Murphy, the Authority's Executive Director. "Jordan Hospital, however, was an exception. Rating analysts were clearly impressed by the Hospital's enhanced bottom-line performance, increased market share, and the strength of their strategic plan." ■

Hawaii

CONTINUED FROM PAGE 3

Hawaii had an early start in reconfiguring its health care system. Lawmakers in 1974 required employers to offer insurance to their workers in an effort to expand access to health care. At the time, 17 percent of the population had no health insurance. When Congress enacted ERISA in 1974, Hawaii received a waiver, becoming the only state with a program that could require its employers to provide insurance to workers.

Dr. Brown discussed the results of government-mandated health insurance. Hawaii enjoys the best health status in the nation by all generally accepted measures. As documented in many surveys, Hawaiians are more satisfied with their health system than the rest of the nation.

According to Brown, while it is unclear the extent to which Hawaii's unique features can be transferred to the mainland, Hawaii and the recent lessons learned there have much to offer the national debate. ■

For information

...or briefing materials regarding the policy forum on Hawaii or any of the previous forums, please contact Lee Russell at 617-737-8377.

Suffolk University in Market for $32,905,000

Campus expansion planned

With the recent sale of more than $32 million of revenue bonds, Boston's Suffolk University commenced a facility expansion program. The transaction achieved two goals. It took advantage of a very low interest rate environment to refinance comparatively high coupon debt. Through the sale, the University also raised capital to purchase a site for a new law school. With the currently depressed real estate market, the University is well positioned for its expansion program.

Through the refinancing, the University saved approximately $561,000 (net present value), or 2.8% of the principal refunded.

The bond issue was senior managed by State Street Bank and Trust company and was insured by ConnieLee. Serial bonds maturing from 1994 to 2004 sold at par with coupons ranging from 3.75% to 5.9%. Two term bonds maturing in 2012 and 2022 were priced to yield 6.327% and 6.406%, respectively. The true interest cost was 6.641%. ■

MGH

CONTINUED FROM PAGE 1

1,044 beds, this tertiary care facility handles increasingly complex cases in nine different intensive care units. During the last five years, the General has seen a major increase in admissions for complex procedures and conditions such as neurosurgery, endocrine surgery, organ transplant, complex chemotherapy, and AIDS.

In awarding its "A1" rating to its November bond sale, Moody's Investor's Service was equally impressed with the General's research track record. Analysts state in their credit report:

> The General has a longstanding, worldwide reputation for providing highly sophisticated health care services. As a result of its affiliation with Harvard Medical School, the hospital is a magnet for highly qualified medical professionals. Accordingly, there is a strong demand for services which are enhanced by a substantial medical research program. In 1991, the hospital ranked first in the country among non-university based hospitals in awards from all research sources, including awards from the National Institutes of Health and industrially sponsored research.

Notwithstanding the General's strong credit profile, hospital administrators found it in their best economic interest to purchase bond insurance when they refinanced debt obligations in November. Spreads ranging from 35 to 49 basis points between 30-year "A"-rated hospital bonds versus 30-year "AAA" insured bonds convinced them that they could maximize net present value savings with an insured deal. The bonds were insured by AMBAC Indemnity Corporation.

Serial bonds maturing from 1993 to 2005 were priced to yield from 2.90% to 6.15%. Two term bonds 2012 and 2020 were priced to yield 6.35% and 6.50%, respectively. A third term bond due 2015 sold at a discount at 6.00%. The true interest cost for the bond issue was 6.389%. Net present value savings were calculated at $10,858,000. The transaction was co-senior managed by two firms, Lazard Freres & Co. and Goldman, Sachs & Co. ■

Sisters of Providence

CONTINUED FROM PAGE 5

and the acquisition of 4,150 gross square feet of space in a medical office building adjacent to Mercy Hospital.

Moody's Investors Service, Inc. and Standard & Poor's Corporation assigned the bond issue ratings of "Baa-1" and "BBB," respectively. Standard & Poor's outlook on the System was termed "positive." According to Standard & Poor's *Creditweek Municipal*, the "BBB" rating reflects Sisters of Providence's improved financial position, highlighted by strong pro forma debt service coverage, moderate leverage, and adequate liquidity.

In assigning its "Baa-1" rating, Moody's analysts view the System's key credit strength on three levels: its significant presence in Western Massachusetts, adequate cash position and good coverage of a moderate debt burden.

The bond issue was comprised of serial bonds maturing from 1995 to 2002 priced to yield 5.00% to 6.25%. The 2008 term bond sold at 98.25 to yield 6.50%. The 2022 term bond was priced to yield 6.750%. The bonds were underwritten by Morgan Stanley & Co. Incorporated. ■

Hensley

CONTINUED FROM PAGE 1

ration (NYSE-LFT). Lifetime is the nation's largest home health care company.

Prior to founding Mentor in 1980, Mr. Hensley worked for Dare, Inc. of Cambridge, and the Judge Baker Guidance Center in Boston. Mr. Hensley was a graduate assistant in philosophy at the University of Dayton and received a bachelor of arts degree from Georgetown College in Georgetown, Kentucky. He also received an honorable discharge from the United States Marine Corps. ■

Metrowest Medical Center Cements Consolidation With Bond Sale of $65 Million

Present at MetroWest's closing dinner are, l-r, Allan McLean, Vice Chairman, Board of Trustees of MetroWest Medical Center; Richard J. Killigrew, Vice President, Corporate Finance, MetroWest Medical Center; Janice B. Wyatt, President and Chief Executive Officer, MetroWest Medical Center; Murray D. Leipzig, President and Chief Executive Officer of MetroWest Health, Inc.; and James E. Cain, Vice President, Cain Brothers, Shattuck & Company.

Within months following the creation of MetroWest Medical Center, Inc., administrators moved quickly to capitalize on an unprecedented interest rate environment and reaped more than $1.5 million in NPV savings by refunding high coupon debt.

The consolidation of Leonard Morse Hospital and Framingham Union Hospital was initiated by their respective management and boards last winter. The main reasons for the consolidation and merger were to combine resources to offer services in the most effective and efficient manner and to offer services comparable to Boston and Worcester health care facilities.

MetroWest's strong showing in the capital markets was aided in part by the rating increase, from "Baa1" to "A" received by Moody's Investor's Service. Medical Center officials were delighted, but not surprised, by the upgrading. According to Murray D. Leipzig, President and CEO of MetroWest Health Inc., "Moody's rating affirms our belief that the merger was successfully undertaken. As projected, our cash and investment position is much improved."

Fitch Investors Service, Inc. also assigned an "A" rating to MetroWest bonds. Fitch analysts based their rating on the positive operating and bottom-line performance. Fitch also sees the merger as a successful strategy. Credit analysts state, "Fitch views the merger as a sound, strategic move and a positive rating factor. With a stronger market position, a broad array of services in multiple locations, and a relatively low-cost structure, the consolidated entity has emerged as a stronger competitor than either hospital and is better positioned to capture market share in an environment increasingly driven by managed care."

The bond issue was underwritten by Cain Brothers, Shattuck & Company, Incorporated. Serial bonds maturing from 1993 to 2004 and 2012 were priced to yield from 3.10% to 6.20% and 6.50%. Two term bonds -- 2011 and 2018 -- sold at a slight discount to yield 6.40% and 6.50%, respectively. The true interest cost was 6.55%. ■

Massachusetts Health and Educational
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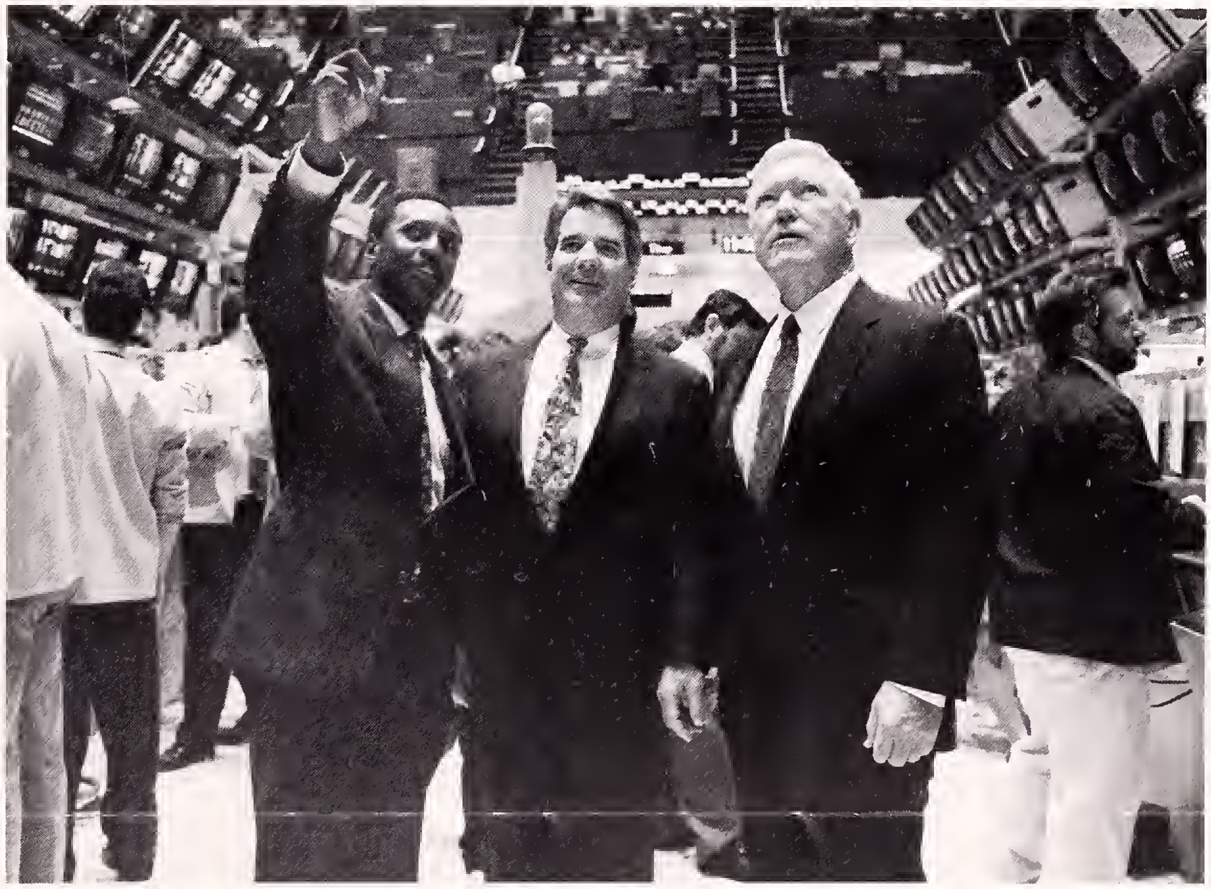
SUMMER 1993 MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY VOL. 6, NO. 2

Mutual Fund Created for HEFA Private Placements

Fund targets borrowings of less than $4 million



L-r: Walter B. Prince, President of The Massachusetts Health & Education Tax-Exempt Trust, Ned Murphy, Executive Director, Massachusetts Health and Educational Facilities Authority, and William T. Hogan, Jr., President of Civic Investments, Inc., look over the computer system at the American Stock Exchange in New York.

A new specialized mutual fund will offer hospitals, colleges, and other non-profits in Massachusetts a source of tax-exempt funding for smaller borrowings. Called the Massachusetts Health and Education Tax-Exempt Trust ("Trust"), the new fund will invest primarily in investment-grade, tax-exempt bonds, notes and capital lease obligations issued by HEFA.

Using standardized documents, the Trust will purchase -- through private placement -- obligations ranging from $1 million to $4 million. Unlike traditional HEFA pools, credit enhancement is not required on all loans. Both features will reduce the cost of the transaction for borrowers.

"We expect this Trust will

continued on page 6

David T. Hannan Accepts Gubernatorial Appointment to HEFA Board

David T. Hannan, South Shore Hospital's president and chief executive officer, joined the Massachusetts Health and Educational Facilities Authority on April 30, having been appointed by Governor Weld for a seven-year term.

Mr. Hannan has more than 25 years of health care experience. As president of South Shore Hospital, he oversees the operation of a 342-bed, acute-care medical center serving 490,000 residents of southeastern Massachusetts. It is the largest subsidiary of South Shore Health and Education Corporation.

continued on page 5

Investment Community Briefed on First-year Results of Chapter 495

At a recent health care forum sponsored by HEFA, more than 120 investors, insurers, rating analysts, fund managers, and bankers were briefed on the impact of the implementation of Chapter 495. This statute, enacted in 1991, governs healthcare reimbursement for the Commonwealth's industry. Chapter 495 largely deregulated healthcare reimbursement and moved the hospital industry toward a more competitive system.

Moderated by Ned Murphy, the Authority's executive director, the panel was comprised of individuals representing the hospital industry, the legislature, the Weld administration, and and the financial community. The panel composition provided a full spectrum of viewpoints and debates from those impacted by the new law.

According to Robert R. Fanning, Jr., president of Beverly Hospital, Chapter 495 has not been the driving force behind the move to competition. He concluded, however, that it did provide the foundation. "The driver of the system has been, and will continue to be, managed care operating in a system with excess capacity, and with hospitals experiencing highly variable expense structures and variable outcomes experience."

The other panelists included: Bruce M. Bullen, associate commissioner for medical services, Public Welfare Department, Executive Office of Human Services; Representative Carmen D. Buell, chairman of the Health Care Committee for the Massachusetts House of Representatives, and Ann M. Thornburg, Coopers & Lybrand partner in charge of health care for the Boston Office and Northeast Region. ■

Cooley Dickinson Hospital Issues $22,650,000

The Cooley Dickinson Hospital has served the health care needs of Hampshire County for well over a century. Located in Northampton, this community hospital is currently licensed to operate 98 medical/surgical beds, 24 intensive care beds, 24 psychiatric beds, 17 obstetrical beds, 12 pediatric beds and 19 bassinets. Cooley Dickinson provides a comprehensive cancer program and is one of only three Massachusetts hospitals providing radiation therapy west of Worcester.

The Hospital had $22,650,000 of fixed-rate term bonds privately placed on April 15. Cain Brothers was the placement agent.

Bond proceeds will be used primarily to finance the renovation of existing facilities and the acquisition of equipment. The Hospital also plans to refinance some taxable debt and be reimbursed for prior capital expenditures.

An investment grade rating was given by Fitch. Viewing the credit trend as "stable," Fitch analysts reported that the rating is supported by three years of historical pro forma coverage, solid medical staff characteristics, and the Hospital's advantageous market position with dominant share. ■

Central New England Health System, Inc. Issues $18.8 Million

Merger of Burbank and Leominster Hospitals successfully undertaken

Like many institutions responding to changes in the health care delivery environment, Burbank Hospital and Leominster Hospital examined the merits of affiliation for several months. Leadership from both systems came to the conclusion that they would be able to meet the health care and medical service needs of the area more effectively, efficiently, and comprehensively if the two health care systems were integrated into a single, regional health care system. Central New England Health Systems, Inc. ("CNEHS") is the newly formed parent organization of Burbank Hospital, Leominster Hospital, and their affiliates.

This consolidation is consistent with the trend toward integrated regional networks of health and medical providers. Many hospitals have established affiliations with other providers in order to contain rising health care costs and to compete more effectively in a delivery system that is increasingly defined and characterized by managed care organizations.

The May 14 sale of $18,800,000 tax-exempt revenue bonds enabled CNEHS to refinance some existing debt, structure a new indenture for the merged entity, and finance various inpatient and ambulatory department facilities at the Burbank campus.

The bonds were rated "Baa" by Moody's Investors Service. Senior manager for the transaction was

continued on page

Tufts Refinances $35.4 Million with Derivative Product

Innovative structure shaves additional 10 basis points

Present at the closing of Tufts University's bond issue are, standing, Darleen Karp, Manager, Treasury Operations, Tufts University, and Ned Murphy, Executive Director of Mass. HEFA; sitting are Nicole Mandeville, former Vice President of Treasury Operations at Tufts, and Thomas McCurdy, Director of Treasury Operations, Tufts University.

Derivative products don't work in every transaction. However, the timing and credit characteristics of a recent deal for Tufts University made it a prime candidate. The results were impressive -- Tufts' use of Inverse Floating Rate Notes ("IFRN") will yield annual savings of approximately $270,000.

Working with its lead banker, Lehman Brothers, Tufts took advantage of this cutting-edge financial product. Inverse Floating Rate Notes are a municipal swap-created product which currently provides fixed-rate funding at 10 basis points below an issuer's conventional fixed funding rate.

Tufts used the IFRN structure as part of its final term bond by combining a swap with the issuance of bonds. The fixed rate of 5.95% on the long term bond was set at a rate equal to 10 basis points below the University's conventional fixed borrowing rate. IFRNs provide a payout to investors which equals a fixed rate minus the J.J. Kenny Index. The IFRN payout is converted to a fixed rate for the University through the use of a five-year interest rate swap with Lehman Brothers. The net result of the swap is that Tufts will borrow at a low fixed rate which is 10 basis points below their regular fixed-rate borrowing level. Then, for the following 20 years

continued on page 5

Lahey Clinic in Market For $153 Million

Refinancing portion nets savings in excess of $5 million

While it traces its origins to a small physician group practice founded in 1923 by a renowned surgeon, the Lahey Clinic Medical Center has evolved into an integrated healthcare delivery system that includes a 253-member, multi-specialty physician group practice; a 272-bed hospital located in Burlington; a 59-bed hospital located in Peabody; several satellite physician office practices; a home healthcare services corporation; and a fundraising corporation. Lahey has a geographically diverse patient base that reflects its regional and national reputation. In 1991, Lahey had one of the highest percentages of discharges from outside the state of any hospital in Massachusetts. Lahey also has one of the largest multi-specialty physician group practices in the Commonwealth.

Lahey's national reputation as a quality provider enhanced the market for their bond sale this spring. The Medical Center sold $153,000,000 to a very receptive market on April 16. Bond proceeds were used to refund approximately $100,315,000 of outstanding debt. Net present value savings of $5,129,469 (5.31%) were realized. The remainder of the proceeds were used to acquire properties for use as physician's offices and to finance three years' routine capital expenditures.

Smith Barney, Harris Upham & Co. Incorporated was the senior managing underwriter for the transaction. The bonds were insured by Municipal Bond Investors Assurance Corporation and carried its "Aaa"/ "AAA" rating.

Yields on the serial bonds maturing from 1994 to 2007 ranged from 2.80% to 5.60%. Three term bonds -- 2010, 2015, and 2023 -- were priced to yield 5.66%, 5.72% and 5.76%, respectively. ■

Beverly Hospital in Market for $41 Million

Proceeds finance Assisted Living Program and advance refunding

Pictured, l-r, at Beverly Hospital's closing are Ned Murphy, Executive Director of Mass. HEFA, John O. Wilhelm, Jr., Senior Vice President of Finance, Beverly Hospital, Herbert Horowitz, Senior Vice President, First Albany Corporation, Patricia M. Moran, Director of Financing Programs, Mass. HEFA, and Francis C. Taylor, Director and Manager, Prudential Securities, Inc.

Beverly Hospital, along with its parent corporation, Northeast Health Systems, Inc., made significant strides in advancing its long-term strategy of forming a vertically integrated health care system with the issuance of tax-exempt revenue bonds on March 25. Offering services at all levels of care, including acute hospital care, long-term care, home care, medically-assisted housing, and ambulatory care, allows Beverly Hospital to take advantage of the changing nature of medical care and an aging population.

This strategy is complemented by the Hospital's active pursuit of long-term agreements with various managed-care delivery systems, including health maintenance organizations and preferred provider organizations. Together, both strategies enhance the financial and operational viability of the Hospital.

The bond offering was twofold: $10,125,000 million to establish a 90-bed assisted living program, and $31,065 000 to advance refund existing Beverly Hospital debt. The bonds were insured by Municipal Bond Investors Assurance Corporation and senior-managed by Prudential Securities Incorporated and First Albany Corporation.

Assisted Living Program To Serve North Shore Elders

Northeast Health Systems has created a system of services and programs to meet the health care requirements of the communities it serves, especially older adults, who represent a large and growing segment of the North Shore population. The assisted living facility will be operated by Cable Housing and Health Services Corporation, a subsidiary of Northeast Health Systems, Inc. and an affiliate of Beverly Hospital. It is being developed to meet the needs of the elderly, particularly those who do not require skilled nursing care but need some assistance with the tasks of daily living. Assisted living provides private living arrangements not commonly available in nursing homes, in addition to support services and recreational activities.

Founded in 1981, Cable Housing and Health Services Inc. operates a Lifeline personal emergency response system and rents monitoring devices to individuals. The service provides 24-hour access to emergency medical services. Additionally, Cable Housing has a senior outreach program which provides a variety of health and informational services.

Bonds issued by Cable Housing are guaranteed by the Beverly Hospital Corporation. The Cable offering was comprised of serial bonds maturing from 1995 to 2007, priced to yield from 3.75% to 5.70%. Two term bonds maturing in 2013 and 2023 were priced to yield 5.80% and 5.875%, respectively.

Advance Refunding Yields Savings of $1,187,000 with Aid Of Derivative Product

The results of the advance refunding were enhanced with the use of a derivative product on the two term bonds. Called Short Term Auction Rate Securities/Complementary Auction Rate Securities ("STARS/ CARS"), this derivative security structure is a product of Prudential Securities.

The initial interest rate for the STARS bonds due in 2020 was set at 2.50%. The initial interest rate for the CARS bonds, also due in 2020, was set at 8.62%. The linked coupon rate for the 2020 term bonds was 5.70%, with a semiannual bond equivalent yield of 5.766%. Serial bonds maturing from 1994 to 2007 for the refunding were priced to yield 3.00% to 5.70%.

The true interest cost for the Cable Housing and Beverly Hospital refunding bonds was 5.80%. ■

HEFA FINANCINGS: JANUARY 1993 THROUGH AUGUST 1993

INDIVIDUAL BOND ISSUES

Institution	Location	Series	Amount	Sale Date	Term
Tufts University	Medford	F	$ 35,410,000	02/10/93	Serials, IFRNs
Milford-Whitinsville Regional Hospital	Milford	8	18,500,000	02/11/93	Private placement
Massachusetts Institute of Technology	Cambridge	H	87,280,000	03/12/93	29 years, fixed
Falmouth Hospital	Falmouth	C	21,360,000	03/18/93	19 years, fixed
Beverly Hospital	Beverly	F	31,065,000	03/25/93	13 years, fixed
Cable Housing and Health Services	Beverly	F	10,125,000	03/25/93	28 years, fixed
Williams College	Williamstown	D	17,770,000	03/30/93	23 years, fixed
Cooley Dickinson Hospital	Northampton	A	22,650,000	04/15/93	Private placement
Lahey Clinic Medical Center	Burlington	B	153,000,000	04/16/93	29 years, fixed
New England Memorial Hospital	Stoneham	B	36,000,000	04/27/93	30 years, fixed
Addison Gilbert Hospital	Gloucester	C	14,440,000	05/05/93	29 years, fixed
Central New England Health System, Inc.	Fitchburg	A	18,800,000	05/14/93	24 years, fixed
Williams College	Williamstown	E	22,000,000	05/18/93	Variable
Saint Luke's Hospital of New Bedford	New Bedford	C	48,545,000	05/27/93	Serials, ARNs, YCNs
South Shore Hospital	South Weymouth	E	15,215,000	06/23/93	26 years, fixed
Faulkner Hospital	Jamaica Plain	C	42,430,000	06/24/93	29 years, fixed
Cape Cod Health Systems, Inc.	Hyannis	A	55,000,000	07/28/93	Fixed, ARNs, YCNs, SYCNs
Massachusetts General Hospital	Boston	G	110,000,000	08/02/93	
Total			$759,590,000		

Hannan

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Prior to his tenure at South Shore Hospital, Mr. Hannan was the president of the Champlain Valley Physicians Hospital Medical Center in Plattsburgh, New York.

Mr. Hannan received his bachelor of science degree in business administration from Kent State University and a masters degree in business and hospital administration from Xavier University. A resident of Hingham, Mr. Hannan is a member of the American College of Healthcare Executives. He is a director of VHA-HealthFront, United Way of Massachusetts Bay, and the William T. Miner Foundation. ■

CNEHS

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Prudential Securities Incorporated. Serial bonds maturing from 1994 to 1998 were priced to yield from 3.50% to 5.25%. Three term bonds sold as follows: 2003 -- 5.75% to yield 5.98%; 2013 -- 6.12% to yield 6.37%; 2018 -- 6.30% to yield 6.42%. The true interest cost was 6.44%. ■

Pictured, l-r, at the sweoring-in ceremany of HEFA's new boord member ore Ned Murphy, Executive Director of Moss. HEFA, Jomes Igoe, Deputy Secretory of Stote, Commonwealth of Mossochusetts, Dovid T. Hannan, President of South Shore Hospitol, ond C. Vincent Vappi, HEFA choirmon.

Tufts

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(after the swap matures), the University's bonds convert to this same fixed rate. In addition, the IFRNs provided call protection to Tufts -- 10 years at 102% -- similar to a conventional fixed-rate issue.

Serial bonds maturing from 1994 to 2009 yield from 3.00% to 5.85%. As stated above, the yield of an IFRN maturing in 2018 was 5.95%. The bonds are insured by FGIC. ■

Fanning Elected HEFA Chairman

Robert R. Fanning, Jr., President and Chief Executive Officer of Beverly Hospital and its parent corporation, Northeast Health Systems, Inc., was elected Chairman of the Massachusetts Health and Educational Facilities Authority. The annual appointment follows a three-year tenure as Vice Chairman.

"Assisting health care and educational institutions in their quests for low-cost, tax-exempt capital is one important method of assuring the continuation of the high standards of health and education which have become hallmark Massachusetts resources," noted Mr. Fanning. "It is a pleasure to serve in an organization which provides creative solutions to a broad spectrum of financial challenges."

Mr. Fanning's educational background includes a baccalaureate degree in Business Administration from Michigan State University and an M.B.A. in health care administration from Xavier University in Cincinnati, Ohio.

Mr. Fanning is a Fellow in the American College of Healthcare Executives, and is currently Chairman of that organization. Mr. Fanning is a past chairman of the Massachusetts Hospital Association Board of Trustees. ■

Trust

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provide fixed-rate financing in small amounts," commented Ned Murphy, the Authority's executive director. "This is something we have not done very efficiently in the past."

Sponsored by Civic Investments Inc., the Trust is the first of its kind in the nation. Civic is a non-profit investment company that was established last year to create new markets for HEFA obligations. Civic selected Wellington Management Company, a Boston-based investment company, as the investment advisor for the Trust. Wellington manages more than $72 billion of assets for clients around the world.

HEFA does not have any authority to determine which bonds the Trust will purchase. Those decisions are made by the portfolio manager at Wellington. The portfolio manager will negotiate terms for each transaction including: principal amount of loan, use of proceeds, call provisions, amortization schedules, covenants, security/collateral, and credit enhancement, if applicable.

If terms are successfully negotiated between Wellington and the borrower, the transaction will be reviewed by the HEFA board and, if approved, the bonds will be issued to the Trust.

The Trust went public on July 23, raising more than $30 million. A total of 2.3 million shares were offered at $15 per share. The shares trade on the American Stock Exchange under the symbol "MHE." The common shares were offered by a team of underwriters led by Kidder Peabody & Co., Inc.

Wellington anticipates fully investing the Trust's assets within six months. ■

For information

For additional information regarding the Trust or the private placement process, please contact Juliette Fay at 617-737-8377.

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